

ICPS newsletter[®]

How public debate can affect housing prices

The large-scale construction evident these days in the capital and other Ukrainian towns and cities is generally taking place without public opinion being considered. The International Centre for Policy Studies is convinced that the neglect of public opinion gives rise to conflicts that push housing prices up. How can prices be kept lower with the help of public debate to discuss urban planning? This was the subject of a roundtable organized by the Ukrainian Construction Association with the support of ICPS on 16 March 2007

The risk of conflicts stokes housing prices

According to sociological surveys, residents of Kyiv and other urban areas think that uncontrolled construction is one of their biggest problems. The failure to take the interests of residents into consideration during urban planning or when making decisions on developing properties is the main reason behind conflicts between urban residents and developers.

During this roundtable, ICPS Director Volodymyr Nikitin drew attention to the fact that the risk of conflicts both directly and indirectly affects housing prices. Firstly, the risk scares away investors or forces them to include this risk in their financial plans. Secondly, it delays construction work, which significantly increases developer costs and delays the process of developing and approving urban plans.

Procedures for public input into property development

In all western countries, public participation in the urban planning process is mandatory, but, more than that, it is an effective way to take stakeholder interests into consideration. The most widespread approach is to publish construction plans for residents of a particular district, to organize a meeting among the developers, the local government and community organizations, and to set up community committees during the planning and developing of the properties.

Ukrainian law contains a large number of mechanisms that can ensure the participation of all who so desire in the solution of local issues, including issues related to developing properties in the districts where these individuals reside. However, very few of these mechanisms

work. The main reasons include unresolved procedural issues and lack of accountability for the implementation of a particular decision made during public debates.

How should existing laws be changed?

The organizers of this roundtable say that legislation could be one effective way to lower housing prices. The Ukrainian Construction Association (UCA) developed proposals for enshrining in law the procedures necessary to ensure that community interests are taken into account when planning and developing properties. In particular, UCA proposes supplementing the Law "On planning and developing properties" with a new section called "Procedure for holding public debates to discuss urban planning at the local level."

This new section identifies the form of such public debates, their subject and participants. Thus, the focus of a public debate at the local level can be: general development plans for populated areas, detailed property plans, property development plans, and planning schemes.

Participants in such public debates can include representatives of settlements, subdivisions, apartment complexes, and residential areas who are 18 or older and live in that particular area. In addition to these individuals, those who lease of land located on the territories involved in the urban planning process, community organizations, customers and developers of planning documents, local governments, community executive bodies, National Deputies, and local council deputies.

However, some participants in this roundtable, such as Forum to Save Kyiv representative Vitaliy Cherniakhivskiy, think that these proposals reflect the interests of only one stakeholder—the construction

By the way...

- Over 19–21 March 2007, ICPS Economic Analysis and Publications Director Oleksiy Blinov participated in an international conference called "Competitiveness in New Member States: Lessons for EU members, candidates and neighbours," organized in Budapest by Wilton Park jointly with the Hungarian National Development Agency and the Global Opportunities Fund of the UK Foreign and Commonwealth Office. Participants discussed their experience implementing reforms in Central, Southeastern and Eastern European countries and the options for continuing these reforms for the sake of strengthening competitive edge and the economies of these countries, and of the EU economy as a whole.
- ICPS analyst for party platforms Andriy Zelnytskiy participated in a coordinating meeting of 15 watchdog organizations, organized by Freedom House. During this meeting, Mr. Zelnytskiy made a presentation called "Developing and Instituting Methods for Monitoring the Promises of Political Parties: What impact is this having?"

business. Documentation needs to be discussed before any work has been started, said Mr. Cherniakhivskiy at this roundtable.

Organizing dialog among stakeholders

In Ukraine, government bodies and local governments are not used to being accountable for their decisions. Business entities frequently have had to resort to a variety of methods, including corrupt ones, to establish a relationship with government bodies and obtain all kinds of permits which, later on, it turns out that government bodies do not want responsibility for, noted National Deputy Ksenia Liapina. At the same time, the organization of dialog between private individuals and the developer should be the responsibility of elected officials. ■

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Consensus forecast from top analysts

On 15 March 2007, analysts from the ICPS Economic Analysis Department participated in a scheduled quarterly macroeconomic forecasting seminar. This event is organized by the Ministry of Economy with the support of the United Nations Development Program (UNDP) as part of the Millennium Development Goals (MDG) project. During this seminar, organizations presented their macroeconomic forecasts for 2007 and 2008, and their medium-term forecasts for 2009–2011. Indicators for this consensus forecast are determined as the average value of all forecasts provided by economists from government, non-government and international organizations participating in this macroeconomic forecasting seminar.

Late 2006 and early 2007 demonstrated positive trends in the country's economy. This was largely evident from the upgraded forecast estimates of seminar participants. The consensus value of real GDP growth for 2007 is now 6.5%, 0.9 pp above the average value of the previous forecast, in October.

The consensus estimate of the Consumer Price Index growth is 109.9%. Practically all forecasting organizations improved their forecast estimates for investment growth. The consensus value of investment growth in 2007 was 12.2%, against only 8.9% forecast in October 2006. In the opinion of this group of economists, investment will continue to grow in terms of both internal and external sources of capital.

The consensus evaluation of FDI growth was significantly upgraded over the October forecast, to US \$5.1bn.

The consensus forecast is for real disposable incomes to continue to grow further, rising 10%. ■

For more detail on the materials from these quarterly macroeconomic forecasting seminars, visit the Ministry of Economy website at http://me.kmu.gov.ua/control/uk/publish/article/main?art_id=97702&cat_id=73499 (in Ukrainian).

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Macroeconomic forecast for 2007–2008

Index	2007		2008		Index	2007		2008	
	March 2007 forecast	October 2006 forecast	March 2007 forecast	Δ		March 2007 forecast	October 2006 forecast	March 2007 forecast	Δ
Real sector	(mn UAH)				External Sector	(% GDP)			
Nominal GDP	631,357	589,080	↑	752,743	Current account balance	-3.0	-1.2	↓	-3.0
Consumption	507,534	472,965	↑	599,708	Export volumes	45.2	47.5	↓	43.7
private	391,267	359,979	↑	464,025	Import volumes	49.2	50.5	↓	47.4
public	117,943	109,188	↑	137,822	Revenue balance	-1.6	-1.1	↓	-1.7
Investment	149,084	136,327	↑	183,991	Official transfers (net)	2.6	2.9	↓	2.4
Gross accumulation of fixed capital	145,992	125,769	↑	176,063	Capital account balance	3.8	2.2	↑	3.4
private	122,420	123,531	↑	148,268	FDI	4.1	3.1	↑	3.5
public	19,370	18,012	↑	23,091	Exchange rate	(UAH/USD)			
Net export of goods and non-agency services	-28,015	-15,912	↓	-24,393	average	5.06	5.12	↓	5.10
Gross national savings	120,456	117,555	↑	160,726	YE	5.08	5.16	↓	5.16
Real sector	(index, y-o-y)				Public finance	(mn UAH)			
Real GDP	106.5	105.6	↑	106.4	Total revenues	206,295	192,759	↑	243,945
Consumption	107.3	106.0	↑	106.6	Total expenditures	218,469	206,985	↑	256,112
private	109.7	107.6	↑	109.2	Overall balance	-12,174	-14,226	↑	-12,167
public	102.6	102.5	↑	102.7	Privatization	6,567	6,620	↓	5,915
Investment	112.2	108.9	↑	110.6	Public finance	(% GDP)			
Inflation	(index)				Total revenues	32.7	32.7	=	32.4
GDP deflator, average, annual	112.4	111.3	↑	111.9	Total expenditures	34.6	35.1	↓	34.0
CPI, average, annual	111.0	109.7	↑	108.9	Overall balance	-1.9	-2.4	↑	-1.6
Dec. on Dec.	109.9	109.8	↑	108.2	Privatization	1.0	1.1	↓	-1.6
PPI, average, annual	114.1	112.7	↑	110.7	Money and credit				
Dec. on Dec.	112.3	111.9	↑	109.7	Monetary base, YE	119,132	128,441	↓	145,285
External Sector	(mn USD)				Dec. on Dec., %	22.5	24.8	↓	22.0
Current account balance	-3,726	-1,434	↓	-4,446	Money supply (M3), YE	333,200	334,578	↓	417,035
Export volumes	56,402	54,662	↑	64,495	Dec. on Dec., %	27.6	30.0	↓	25.2
Import volumes	61,330	58,120	↑	69,922	Average weighted interest rate on commercial hryvnia loans, % pa	14.2	13.5	↑	13.4
Revenue balance	-2,043	-1,264	↓	-2,497	NBU international reserves, mn USD	22,869	21,081	↑	23.331
Official transfers (net)	3,245	3,287	↓	3,478	Social indicators				
Capital account balance	4,694	2,541	↑	5,000	Population, millions	46.37	46.48	↓	46.05
FDI	5,094	3,620	↑	5,204	Average wage, UAH	1,262	1,235	↑	1,523
					Disposable household income, % change over previous year	10.0	7.9	↑	8.8

icps newsletter is a weekly publication of the International Centre for Policy Studies, delivered by electronic mail.

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